NOTE

This Microfiche meets the quality requirements of the American National Standard for Microfiche of Documents (ANSI PH5.9-1975). However, because of imperfections in the document from which it was made, it contains images that are illegible or difficult to read. The source document for this microfiche is the best copy that could be obtained prior to filming.

CIS Congressional Information Service, Inc.
Washington, D.C.

Joint Committee on Taxation
July 13, 1988
JCX-12-88

DESCRIPTION OF POSSIBLE COMMITTEE AMENDMENT TO PROVISIONS OF H.R. 4845: PENSION-RELATED TECHNICALS

H.R. 4845, introduced by Chairman Rostenkowski on June 16, 1988, contains the provisions included in the introduced technical corrections bill (H.R. 4333) that amend Titles I and IV of the Employee Retirement Income Security Act of 1974 (ERISA) and that amend corresponding provisions of the Internal Revenue Code.[1] H.R. 4845 makes technical corrections to the Tax Reform Act of 1986, the Omnibus Budget Reconciliation Act of 1986, and the Pension Protection Act of 1987. (H.R. 4845 was jointly referred to the Committee on Ways and Means and the Committee on Education and Labor.)

A. Amendments Related to Title XVIII of the 1986 Reform Act

1. Health care continuation: maximum period.--Under the amendment, if an individual obtains health care continuation rights by virtue of a reduction of hours, and then separates from service within 18 months, his or her health care continuation rights with respect to the separation from service would exist for no more than 18 months (rather than 36 months under present law) from the date of reduction of hours.

B. Amendments Related to the Pension Protection Act

1. Interest rate on employee contributions.--Under the amendment, the rules on attributing income to employee contributions under a defined benefit plan would be modified as follows: (1) employee contributions plus income would not be limited by the employee's accrued benefit under the plan's benefit formula; and (2) the conversion of the employee's contributions plus income to an annuity would be performed under the plan's interest rate. A transition rule would apply so that a plan amendment to conform to this rule would not be a cutback in an employee's accrued benefit.

2. Variable rate premium.--Under the amendment, if deductible contributions cannot be made to a plan for a plan

---

[1] The Chairman's proposed technical amendment to H.R. 4333 would delete these provisions from the technical corrections bill. (For a description of the Chairman's proposed committee amendment to H.R. 4333, see JCX-11-88.)

J862-24

year because of the full funding limitation, no additional PBGC premium would be required with respect to the plan in the following plan year.

C. **Miscellaneous Amendment**

1. Transfers of excess pension assets upon liquidation.--In the case of the liquidation of a business for which both a jointly administered collectively bargained qualified pension plan and a welfare benefit plan providing retiree health benefits are maintained on behalf of union employees (i.e., a Taft-Hartley plan), under which the qualified pension plan has assets in excess of liabilities on a termination basis, and under which the welfare benefit plan has assets that are less than the present value of benefits, then, notwithstanding any other provision of law, after termination of the pension plan, the excess assets may be distributed and transferred to the welfare benefit plan for retiree health benefits. Such a transfer of assets to the welfare benefit plan is treated as a reversion that is includible in the employer's income and subject to the 10-percent excise tax on reversions.